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C O N F I D E N T I A L UNVIE VIENNA 000057

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C O R R E C T E D C O P Y (PARAGRAPH 3)

FOR D, P, T, IO, ISN  
DOE FOR NA-24, NA-25, NA-21

E.O. 12958: DECL: 10/30/2012  
TAGS: [AORC](#) [PREL](#) [KNNP](#) [IAEA](#) [UN](#)  
SUBJECT: IAEA TO PROPOSE LARGE BUDGET INCREASE FEBRUARY 13  
- REQUEST FOR GUIDANCE

REF: A. UNVIE 0052  
[1](#)B. UNVIE 0011

Classified By: Charge d'Affaires Geoffrey Pyatt for reasons 1.4 b/d

[1](#)1. (U) This a request for guidance. Please see paragraph 7.

[1](#)2. (C) Summary: Top officials at the IAEA have informed Mission they will propose a 20 percent increase in the IAEA budget when the 2010-2011 draft budget document is released on Friday, February 13 (strictly protect). Mission requests talking points that respond to the proposed increase. Mission notes that allied Member States (UK, Japan, others) will likely react to the proposed increase with extreme negativity. Member States may also view U.S. presidential campaign references to doubling the IAEA budget as proof that the Mission has colluded with the IAEA to inspire the proposed increase. Given this potentially awkward situation, Mission suggests talking points that support the IAEA but remain momentarily noncommittal regarding the increase. Mission expects budget issues to color all formal interactions between Member States from now until the budget is approved at the June Board of Governors meeting. End Summary.

[1](#)3. (C) Following a February 6 discussion in Munich between Ambassador Schulte and DG ElBaradei, Deputy Director for Management David Waller and Director of Budget and Finance Gary Eidet met with Mission Officers to outline in strict confidence the IAEA's proposed budget for 2010 and 2011. Waller confirmed that the IAEA will request a 20 percent increase in the budget, from just under 300 million euro in 2009 to nearly 360 million euro for the 2010-11 biennium.

[1](#)4. (C) The first half of the increase the IAEA will propose revolves around programmatic expansion and modernization, most notably, an effort to integrate - or "mainstream" - the Nuclear Security and Safety programs into the Regular Budget. The programmatic increase also includes an equivalent uptick for the Department of Safeguards, driven mainly by the costs of expanding operations in India. This half of the increase includes an allocation for the (nonprogrammatic) Management Department, but the monies are destined for physical security upgrades and the development of donated land toward the expansion of the Safeguards Analytical Laboratory (the broader issue of SAL refurbishment is not addressed in this increase request). Other Management support issues, such as human resources and information technology, are, according to

Waller, "essentially flat-lined."

15. (C) The second half of the budget increase is destined to establish and then initiate financing for a Capital Investments Fund (CIF). (Note: The CIF constitutes a renaming and expansion of the "Essential Investments" increase approved during the last budget go-around in 2008. End Note.)

16. (C) Waller and Eidet reminisced over an earlier battle to increase the RB by 15 million in 2002-03 (ref A). They recalled the exemptions and arrangements that went into a "package deal" to convince other Member States to approve the increase, acknowledging that 15 million was very little compared to the 50 million-plus they were about to put forward next week. Eidet commented that his division had initially put forward a more moderate increase, but that the DG had thrown it out "as ridiculous," and instructed his managers to request a budget that more accurately reflected their needs.

17. (C) Comment and Guidance Request: Post has spent the past several weeks assuring our like-minded allies that U.S. campaign proposals to "double" the IAEA budget had not been elaborated, let alone operationalized. DG ElBaradei's proposed budget increase will likely renew criticism. Most seriously, Mission expects to deal with other Member States' assumption that the U.S. has been working with ElBaradei to engineer the increase. It is therefore important that DG ElBaradei adopt a strong and inspiring stance that describes the Agency's needs and exhorts Member States to fulfill them. A forceful stance by ElBaradei will hopefully dampen our allies' disgruntlement and deflect criticism from the U.S. (Charge stressed this point with Waller and Eidet).

Meanwhile, Mission recommends that USG talking points for now focus on the importance of the Agency's work while momentarily offering only to "consult" or "study" any proposed budget increases. Mission requests guidance to this effect. End Comment.

18. (C) Mission expects budget issues to infuse every formal interaction with other Member States from now until the June Board of Governors meeting, including the year-long "Future of the Agency" exercise (ref B). Dates to watch:

February 13 - Release of the draft budget  
February 19 - Initial meeting of the "Future of the Agency"  
February 20 - Budget "kickoff" presentation by IAEA  
March 2 - 5 - Board of Governors Meeting  
March 26 - Possible Extraordinary Board to vote on DG succession  
April 27 - Program and Budget Committee (budget talks)  
June 15 - Board of Governors Meeting (budget vote)

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